

Message Text

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ACTION ARA-20

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NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 IGA-02 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 FTC-01

FEAE-00 AGR-20 DRC-01 /181 W
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P 301644Z MAY 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 4002

LIMITED OFFICIAL USE SECTION 1 OF 2 CARACAS 4858

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SUBJECT: FURTHER ANALYSIS OF CORDIPLAN GUMERSINDO
RODRIGUEZ' SPEECH OF MAY 24 TO AMERICAN
CHAMBER OF COMMERCE

REF: CARACAS 4734

SUMMARY. AS PROMISED IN REFTEL WE PRESENT HERE MORE DETAILED ANALYSIS OF MAY 24 SPEECH BY MINISTER GUNERSINDO RODRIGUEZ OF PRESIDENT'S OFFICE OF PLANNING AND COORDINATION TO AMERICAN CHAMBER OF COMMERCE (BASING ANALYSIS ON TAPE RECORDING OF SPEECH SINCE WE STILL DO NOT HAVE TEXT PROMISED BY CORDIPLAN TO BE READY LAST SATURDAY). RODRIGUEZ OBVIOUSLY WISHED TO ASSUAGE DISQUIET OF UNITED STATES GOVERNMENT AND AMERICAN BUSINESS COMMUNITY CONCERNING PORTION OF PRESIDENT PEREZ' NEW ECONOMIC POLICIES PERTAINING TO FOREIGN INVESTMENT ANNOUNCED ON APRIL 29. ALTHOUGH KEY QUESTIONS IN MIND RELATED TO DECREES APPLYING ANDEAN PACT DECISION 24 IN VENEZUELA, RODRIGUEZ PUT THESE QUESTIONS IN BROADER CONTEXT OF WHOLE OF NEW ECONOMIC POLICY ANNOUNCED BY PRESIDENT. HE SPOKE FORTHRIGHTLY AND PERSUASIVELY OF PLANNING THAT HAD GONE INTO LIMITED OFFICIAL USE

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ECONOMIC POLICIES, OF OPPORTUNITIES PRESENTED VENEZUELA BY

INCREASED OIL REVENUES, AND OF NEED FOR SOCIO-ECONOMIC REFORM IN VENEZUELA, TO CORRECT DISTORTIONS SUCH AS CONCENTRATION OF ECONOMIC ACTIVITY IN FEW URBAN CENTERS, AND TO DEVELOP AGRICULTURE AND AGRO-INDUSTRY. HE SAID THAT ALTHOUGH VENEZUELA IS IMPOSING RESTRICTIONS ON FOREIGN INVESTMENT IN MINERAL RESOURCES, SERVICES, AND INTERNAL COMMERCE FIELDS, IT RECOGNIZES IMPORTANCE OF CONTINUING INFLOW OF FOREIGN TECHNOLOGY, AND WISHES TO DIRECT THAT INFLOW INTO PRIORITY FIELDS FOR VENEZUELAN ECONOMIC DEVELOPMENT. HE MADE REASSURANCES ABOUT SUPPLY OF OIL TO INDUSTRIALIZED NATIONS, AND POINTED TO FINANCIAL-MONETARY ADVANTAGES OF FOREIGN INVESTMENT IN VENEZUELA. AMERICAN BUSINESS COMMUNITY AND VENEZUELAN BUSINESS COMMUNITY REACTIONS WERE GENERALLY STRONGLY FAVORABLE, BECAUSE OF FORTHRIGHT PRESENTATION, OF RECOGNITION MADE OF IMPORTANCE OF CONTINUING INFLOW OF FOREIGN TECHNOLOGY, OF REASSURANCES ON OIL SUPPLY, AND OF COMMENT ON FAVORABLE FINANCIAL-MONETARY ENVIRONMENT FOR FOREIGN INVESTMENT. MANY BUSINESSMEN WHO COULD BE AFFECTED BY NEW POLICIES AGREE WITH OR RECOGNIZE MANY OF SOCIO-ECONOMIC REFORM OBJECTIVES OF NEW ADMINISTRATION, AND ALL ARE AWARE THAT NEW ECONOMIC POLICIES OBVIOUSLY HAVE STRONG POPULAR SUPPORT. END SUMMARY.

1. RODRIGUEZ OPENED SPEECH BY EMPHASIZING TIME AND CARE SPENT ON DEVELOPING ECONOMIC POLICIES ANNOUNCED BY PRESIDENT APRIL 29. TECHNICAL COMMITTEES HAD WORKED ON THESE DURING ACCION DEMOCRATICA'S FIVE YEARS IN OPPOSITION, AND DURING POLITICAL CAMPAIGN OF 1972-3. PRINCIPAL CONTRIBUTORS SPECIFICALLY MENTIONED WERE FORMER PRESIDENT ROMULO BETANCOURT, FORMER MINISTER OF FINANCE AND OF MINES AND HYDROCARBONS JOSE ANTONIO MAYOBRE, AND FINANCE MINISTER HECTOR HURTADO (FORMER CORDIPLAN DIRECTOR). THEN CAME GREATLY INCREASED REVENUES FROM OIL, WHICH AFFORDED VENEZUELA PARTICULAR OPPORTUNITY TO CARRY OUT THESE PLANS.

3. THESE POLICIES ARE NOT POPULIST IN CHARACTER, HE SAID, BUT ARE A PROGRAM OF SOCIO-ECONOMIC REFORM TO CORRECT SERIOUS DISTORTIONS IN VENEZUELAN ECONOMY. INDUSTRY IS HIGHLY CONCENTRATED IN VENEZUELA IN URBAN AREAS, THREE-QUARTERS OF NON-PETROLEUM INDUSTRY IS SITUATED NEAR FEW URBAN CENTERS, AND REST OF COUNTRY SUFFERS FROM UNEMPLOYMENT AND IS CHARACTERIZED BY REGIONAL ECONOMICS. PRICES HAVE INCREASED GREATLY IN URBAN CENTERS, CREATING GREAT HARDSHIPS FOR POORER CLASSES LIMITED OFFICIAL USE

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NEW ADMINISTRATION HAS DECIDED TO PLACE HIGHEST PRIORITIES ON DEVELOP
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MENT OF AGRICULTURE, AGRO-INDUSTRY, AND ELECTRICITY AND WATER.

4. RODRIGUEZ THEN RELATED TO THESE NATIONAL OBJECTIVES THE DECREES APPLYING ANDEAN PACT DECISION 24 FOR FOREIGN INVESTMENT IN VENEZUELA. PUBLIC SERVICES OR UTILITIES ARE TO BE RESERVED TO THE STATE. HE DREW

DISTINCTION, HOWEVER, THAT OTHER RESTRICTIONS SUCH AS ON FIRMS ENGAGE
D
IN INTERNAL COMMERCE WERE AIMED NOT TO MOVE THOSE SECTORS INTO STATE
CONTROL BUT TO VENEZUELANIZE THEM WITHIN THE PRIVATE SECTOR. (IN THIS
CONNECTION, HE SAID FIRMS WHOSE PREDOMINANT ACTIVITY IS PRODUCTION
WOULD BE PERMITTED TO ENGAGE ALSO IN INTERNAL COMMERCE.) VENEZUELA
DOES NOT WISH TO PUNISH OR CASTIGATE FOREIGN INVESTORS. IT DOES NOT
BELIEVE THAT FOREIGN INVESTMENT IS HOSTILE TO NATIONAL VENEZUELAN INT
ERESTS
ANY MORE THAN PRIVATE VENEZUELAN INVESTMENT IS TO VENEZUELAN PUBLIC
INTERESTS. VENEZUELA BELIEVES THAT SCARCE RESOURCES SHOULD BE DEVOTED
TO PRIORITY NEEDS. SOME FIELDS OF FOREIGN INVESTMENT SHOULD BE PHASED
OUT, AND OTHER INVESTMENT DRAWN INTO PRIORITY FIELDS. CONCERNING PLAN
S
TO STUDY, IN ACCORDANCE WITH ANDEAN PACT DECISION 24, NEW AREAS THAT
MIGHT BE SET ASIDE FOR NATIONAL VENEZUELAN COMPANIES, HE SAID
GOVERNMENT APPRECIATES NECESSITY FOR CONTINUED INFLOW OF FOREIGN
TECHNOLOGY AND WILL NOT BE CAPRICIOUS.

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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P 301644Z MAY 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 4003

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5. HE MADE ONLY BRIEF REMARKS ON PETROLEUM (NOTE: SUBJECT NOT
REFERRED TO MUCH IN PRESIDENT'S APRIL 29 ECONOMIC POLICY MESSAGE).
HE SAID VENEZUELA IS SECURE AND STABLE SOURCE OF ENERGY, CONTRASTING

IT WITH LESS SECURE AND STABLE SOURCES, SPECIFICALLY ENGLISH COAL. VENEZUELA HAS NO DESIRE TO IMPAIR NORMAL ACTIVITY OF DEVELOPED COUNTRIES BY FAILING PROVIDE PETROLEUM. IT LOOKS FORWARD TO DEVELOPMENT OF NEW SOURCES, SUCH AS ORINOCO PETROLIFEROUS BELT AND OFF-SHORE PETROLEUM. IT WOULD LIKE TO MAXIMIZE PRODUCTION AND REFINING OF HEAVY AND UNCONVENTIONAL OIL, AND CONSERVE LIGHTER OILS.

6. IN CLOSING, RODRIGUEZ POINTED TO VENEZUELA'S FAVORABLE FINANCIAL-MONETARY ENVIRONMENT FOR FOREIGN INVESTMENT. VALUE OF CURRENCY HAS REMAINED QUITE STABLE. VENEZUELA DOES NOT IMPOSE FOREIGN EXCHANGE CONTROLS, WHICH BENEFITS NOT ONLY REMITTANCES ABROAD BUT ALSO GENERAL TRADE. LOCAL NEWSPAPER RECENTLY ALLEGED GOVERNMENT PLANS TO IMPOSE CONTROLS, BUT THIS WOULD BE INCOMPATIBLE WITH MANY OTHER FINANCIAL MOVES BEING MADE BY GOVERNMENT. RODRIGUEZ REITERATED THAT GOVERNMENT DOES NOT INTEND TO REVALUE BOLIVAR, BECAUSE OF IMPORTANCE IT ATTACHES TO OBJECTIVE OF PENETRATING MARKETS IN NON-TRADITIONAL PRODUCTS, AND FOR OTHER REASONS.

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7. TWICE IN CLOSING REMARKS, RODRIGUEZ POINTED OUT THAT MUCH OF VENEZUELA'S EXPORTS WILL BE OUTSIDE ANDEAN PACT AREA, SPECIFICALLY PETROCHEMICALS AND STEEL, FOR WHICH ANDEAN PACT PARTNERS AFFORD LITTLE MARKET AS COMPARED WITH OTHER COUNTRIES.

8. COMMENT: REACTION OF AMERICAN AND VENEZUELAN BUSINESS COMMUNITY TO RODRIGUEZ'S SPEECH WAS, AS HAS PREVIOUSLY BEEN REPORTED, STRONGLY FAVORABLE. AMERICAN BUSINESS COMMUNITY DID NOT EXPECT TO HEAR ANY SIGNIFICANT MODIFICATIONS OF PRESIDENT'S POLICIES NOR DID THEY WISH TO ASK QUESTIONS AIMED AT WORKING OUT SPECIAL ARRANGEMENTS LEST THEY FORCE PUBLICLY A NEGATIVE ANSWER. THEY DID HEAR FORTHRIGHT PRESENTATION, WHICH BY RECOGNIZING NEED FOR CONTINUED FOREIGN INVESTMENT AND TECHNOLOGY IN MANY FIELDS GAVE SOME ENCOURAGEMENT TO THOSE NOT NOW BEING RESTRICTED. SOME OF THOSE WHO MAY BE AFFECTED BY CURRENT RESTRICTIONS WERE GIVEN SOME HOPE FOR WAY OUT, E.G. INTERNAL COMMERCE FIRMS WOULD BE PERMITTED TO CONTINUE IF SUFFICIENT PRODUCTION IS COMBINED WITH INTERNAL DISTRIBUTION. REGARDLESS OF WHETHER THEIR FIRMS ARE RESTRICTED BY THESE MEASURES OR NOT, MANY AMERICAN BUSINESSMEN AGREE WITH OR RECOGNIZE FORCE OF MANY OF SOCIO-ECONOMIC REFORM OBJECTIVES OF NEW ADMINISTRATION, AND ARE AWARE THAT PRESIDENT'S ECONOMIC PROGRAM HAS STRONG PUBLIC BACKING. (WE WILL GIVE FURTHER READING OF AMERICAN BUSINESS COMMUNITY REACTION AFTER JUNE 5 MEETING OF BOARD OF AMERICAN CHAMBER.)

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